

China

ADD (previously HOLD)

Consensus ratings*: Buy 13 Hold 10 Sell 2

Current price:	Rmb3.13
Target price:	Rmb3.70
Previous target:	Rmb2.90
Up/downside:	18.2%
CGS-CIMB / Consensus:	9.3%
Reuters:	601988.SS
Bloomberg:	601988 CH
Market cap:	US\$135,747m
	Rmb857,809m
Average daily turnover:	US\$62.62m
	Rmb397.8m
Current shares o/s:	294,388m
Free float:	28.4%

*Source: Bloomberg

Key changes in this note

- FY21F EPS raised by 2.0%.
- FY22F EPS raised by 1.1%.
- FY23F EPS cut by 0.7%.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	0	2	-5.2
Relative (%)	1.7	8.2	-1.5

Major shareholders	% held
Huijin	67.8
SSF	2.7

Analyst(s)


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Bank of China-A

Model adjustment

- We adjust FY21F-23F EPS by -0.7% to +2.0% to reflect our view of a stronger-than-expected FY21F and a weaker economy in FY22F - 23F.
- Policy risk has also been milder than we had previously expected and hence we cut our policy risk valuation discount from 50% to 40%.
- Upgrade to Add from Hold. Our TP rises to Rmb3.70 from Rmb2.90 due to valuation roll-forward and a reduced policy risk valuation discount.

Stronger-than-expected FY21F and a weaker FY22F-23F

We forecast FY21F EPS growth to accelerate to 11%, the strongest since FY13's 12.5%, mainly due to lower credit costs. We then conservatively expect FY22F EPS growth to slow to 8% on a weaker economy, before rebounding to 9.3% in FY23F.

Better-than-expected policy risk

We had previously been concerned that given the worsening economy in 2H21, EPS growth would have been more significantly impacted due to policymaker pressure to 'surrender' profits; China banks were asked to surrender Rmb1.5tr of profits back in 2020 (see [Between a rock and a hard place](#) dated 18 Jun 2020). However, policy risk has been milder than expected, with BOC likely to report an eight-year high EPS growth in FY21F, in our view. As such, we narrow our policy risk valuation discount from 50% to 40%.

Upgrade to Add from Hold; TP raised to Rmb3.70 from Rmb2.90


We value BOC-A using a stress-test adjusted GGM, after factoring in historical A-H share valuation premiums. There are no changes to the 'true' corporate NPL ratio of 10.5% used in our stress test. However, due to the lower policy risk valuation discount and a valuation roll-forward where we now derive our target price by applying our target P/BV multiple to FY22F BVPS, our TP rises to Rmb3.70 from Rmb2.90. Potential re-rating catalysts are improving asset quality and economic recovery. Key downside risks: a worse-than-expected NIM trend and greater social responsibilities.

Financial Summary

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Net Interest Income (Rmbm)	415,918	419,296	438,633	466,559	495,625
Total Non-Interest Income (Rmbm)	151,729	174,273	186,524	200,504	216,470
Operating Revenue (Rmbm)	567,647	593,569	625,157	667,063	712,095
Total Provision Charges (Rmbm)	(119,016)	(105,632)	(108,950)	(114,012)	(111,494)
Net Profit (Rmbm)	180,841	200,722	216,807	236,969	264,905
Core EPS (Rmb)	0.61	0.68	0.74	0.80	0.90
Core EPS Growth	0.1%	11.0%	8.0%	9.3%	11.8%
FD Core P/E (x)	5.10	4.59	4.25	3.89	3.48
DPS (Rmb)	0.20	0.22	0.24	0.26	0.29
Dividend Yield	6.29%	6.99%	7.55%	8.25%	9.22%
BVPS (Rmb)	5.98	6.48	7.01	7.58	8.23
P/BV (x)	0.52	0.48	0.45	0.41	0.38
ROE	10.6%	10.9%	10.9%	11.0%	11.4%
% Change In Core EPS Estimates		2.04%	1.07%	(0.66%)	
CGS-CIMB/Consensus EPS (x)		1.03	1.05	1.07	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Model adjustment

		Refinitiv ESG Scores					
ESG in a nutshell		B- ESG Score	B+ ESG Controversies Score	B- ESG Combined Score	B ESG Environment Pillar Score	B ESG Social Pillar Score	C+ ESG Government Pillar Score
<p>Bank of China (BOC) scored B- rating for its combined ESG score by Refinitiv in 2020. BOC has rigorously practiced the concept of green and low-carbon services and reduced paper consumption. As of end-2020, BOC's electronic conciliation rate had reached 97.8%, and its use of electronic bills saved 257m paper sheets, according to BOC. The bank also incorporated the requirements of green finance into credit policies, and established the Bank of China University in May 2020 to empower its employees' career development and cultivate innovative talents. To help the government achieve carbon neutrality by 2060, the bank has created a roadmap for the implementation of its green finance plan over 2021-2025 in 15 aspects, including organisational structure, stress tests and product innovation.</p>							
<p>Keep your eye on</p> <p>The pace on which green finance solutions are rolled out by the China banks, as well as the extent to which the China banks ramped up lending to coal and energy companies in late-2021 to help ease China's power shortages.</p>	<p>Implications</p> <p>According to Reuters in Sep 2021, Bank of China stated that it would stop financing new coal mining and coal power projects overseas from 4Q21. This may not be factored into valuations yet, in our view, and we think a successful pullback from financing in these segments should be positive for BOC's valuations.</p>						
<p>ESG highlights</p> <p>BOC's B- ESG score is on the upper end of ESG scoring against its sectoral peers among China banks (with highest rating B for CCB), driven by its strengthened risk management capabilities, people-oriented working culture, and increased green finance projects.</p>	<p>Implications</p> <p>BOC has made great efforts in supporting sustainable development over the past few years. While not priced in at the current stage, we believe BOC's ESG progress and prominence could support future re-rating cycles.</p>						
<p>Trends</p> <p>Over the 2016-2020 period, BOC has improved its Refinitiv combined ESG score in each pillar, which had been C+ in both 2016 and 2017, before moving up to B- from 2018 onwards. This was driven by improvements across major ESG categories. Its environmental pillar score rose from B- in 2016 and 2017 to B from 2018 onwards. Its governance pillar score rose from B in 2016 to B over the 2017-2019 period, then fell to B- in 2020. Its social pillar score has been more volatile, from B- over the 2016-2018 period to C+ in 2019 and then B in 2020. Similarly, its ESG controversies score has been volatile, moving from A- in 2016 to C- in 2017, A+ in 2018 and 2019, and finally A- in 2020.</p>	<p>Implications</p> <p>On average, the improvements seem to be positive, with further improvements most likely, driven by its environment pillar score over the medium to long term, in our view. We think this will be driven by its role as an important state-owned-enterprise (SOE) bank to support green financing, and thus help China achieve its targets of peak carbon emissions by 2030 and carbon neutrality by 2060. We think this has positive implications on BOC's ESG score.</p>						

SOURCES: CGS-CIMB RESEARCH, REFINITIV

Changes to our forecasts

We adjust FY21F-23F EPS by -0.7% to +2.0%, to reflect our view of a stronger-than-expected FY21F and a weaker economy in FY22F-23F (Fig 1).

Our higher FY21-22F EPS forecasts are mainly due to lower credit costs or provision expenses, while our lower FY23F EPS forecast is mainly due to higher operating expenses.

Figure 1: Changes to our forecasts

(Rmb m)	FY21F			FY22F			FY23F		
	Old	New	+/-	Old	New	+/-	Old	New	+/-
Net interest income	446,282	419,296	-6.0%	481,018	438,633	-8.8%	508,489	466,559	-8.2%
Non interest income	164,475	174,273	6.0%	180,157	186,524	3.5%	196,891	200,504	1.8%
Total operating income	610,757	593,569	-2.8%	661,176	625,157	-5.4%	705,380	667,063	-5.4%
Operating expense	-214,299	-215,887	0.7%	-227,813	-223,283	-2.0%	-238,669	-233,962	-2.0%
Pre-prov profit	396,459	377,682	-4.7%	433,362	401,874	-7.3%	466,710	433,100	-7.2%
Provisions	-133,786	-105,632	-21.0%	-147,950	-108,950	-26.4%	-149,676	-114,012	-23.8%
Operating profit	262,831	272,208	3.6%	285,570	293,082	2.6%	317,192	319,246	0.6%
Tax	-44,039	-49,149	11.6%	-47,849	-52,918	10.6%	-53,923	-57,642	6.9%
Net profit to common shareholders	196,709	200,722	2.0%	214,509	216,807	1.1%	238,535	236,969	-0.7%
Key ratios									
EPS (Rmb)	0.67	0.68	2.0%	0.73	0.74	1.1%	0.81	0.80	-0.7%
EPS growth	8.8%	11.0%	2.2% pts	9.0%	8.0%	-1.0% pts	11.2%	9.3%	-1.9% pts
PPOP per share	1.35	1.28	-4.7%	1.47	1.37	-7.3%	1.59	1.47	-7.2%
PPOP per share growth	8.5%	3.4%	-5.1% pts	9.3%	6.4%	-2.9% pts	7.7%	7.8%	0.1% pts
ROA	0.81%	0.83%	2bp	0.82%	0.83%	1bp	0.85%	0.84%	-1bp
ROE	10.7%	10.9%	0.2% pts	10.8%	10.9%	0.1% pts	11.1%	11.0%	-0.1% pts
Payout ratio	32.1%	32.1%	0.0% pts	32.1%	32.1%	0.0% pts	32.1%	32.1%	0.0% pts
Core tier 1 ratio	11.4%	11.5%	0.02% pts	11.6%	11.7%	0.02% pts	11.8%	11.8%	0.02% pts
Tier 1 ratio	13.2%	13.2%	0.02% pts	13.3%	13.3%	0.02% pts	13.3%	13.3%	0.02% pts
Total CAR	16.0%	16.4%	0.38% pts	15.9%	16.4%	0.53% pts	15.8%	16.4%	0.59% pts
Loan-deposit ratio	85.0%	87.5%	2.5% pts	86.0%	89.0%	3.0% pts	87.0%	90.0%	3.0% pts
NPL ratio	1.39%	1.27%	-11bp	1.35%	1.23%	-13bp	1.33%	1.19%	-13bp
Cost-income ratio	35.1%	36.4%	128bp	34.5%	35.7%	126bp	33.8%	35.1%	124bp
Net interest margin	1.85%	1.74%	-11bp	1.85%	1.69%	-16bp	1.82%	1.67%	-15bp
Credit cost	0.90%	0.71%	-18bp	0.90%	0.68%	-23bp	0.83%	0.65%	-19bp
Provisioning coverage ratio	190.1%	195.4%	5.3% pts	203.4%	200.1%	-3.3% pts	213.5%	203.3%	-10.3% pts
Loan growth	10.2%	8.7%	-1.5% pts	9.7%	9.3%	-0.4% pts	9.2%	9.1%	-0.1% pts
Interbank assets growth	5.4%	5.0%	-0.4% pts	5.6%	5.0%	-0.6% pts	5.9%	5.0%	-0.9% pts
Investment growth	8.2%	4.5%	-3.7% pts	8.3%	4.6%	-3.7% pts	8.4%	4.6%	-3.8% pts
RWA growth	7.7%	7.7%	0.0% pts	6.5%	6.5%	0.0% pts	7.1%	7.1%	0.0% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Valuation and risks

We value BOC-A using a stress test adjusted Gordon Growth Model (GGM), after factoring in historical A-H share valuation premiums, with a target price of HK\$4.00 (HK\$3.10 previously).

Our key valuation assumptions are a COE of 10.4% (unchanged), a sustainable growth (g) assumption of 3% (unchanged), an initial sustainable ROE assumption of 11.4% (previously 11.1%) based on FY24F ROE (previously FY23F ROE), and an asset quality and investor compensation valuation discount of 28% (previously 25%). We also cut our policy risk valuation discount to 40% (previously 50%) [Fig 2]. We thus derive a stress-test-adjusted target FY22F (previously FY21F) P/BV multiple of 0.49x (previously 0.41x), implying a sustainable ROE assumption of 6.9% (previously 6.3%).

We arrive at a target price of Rmb3.70 (previously Rmb2.90) and upgrade our rating on BOC-A to Add from Hold.

Figure 2: Valuation using a stress-test-adjusted GGM

(Rmb)	New	Old	% change
Equity risk premium	8.0%	8.0%	0.0%pts
Risk free rate	3.0%	3.0%	0.0%pts
Beta	0.93	0.93	0%
COE	10.4%	10.4%	0.0%pts
g	3.0%	3.0%	0.0%pts
Sustainable ROE (based on FY24F ROE)	11.4%	11.1%	0.3%pts
Initial target P/BV	1.13x	1.09x	3%
Asset quality valuation discount	-28%	-25%	-2.7%pts
National service' discount	-40%	-50%	10.0%pts
Final target P/BV	0.49x	0.41x	19%
FY22F BVPS	7.01	6.47	8%
Initial target price	3.41	2.63	29%
Average A-H share premium applied	18%	18%	0.0%pts
Valuation incorporating average A-H share gap since start-2011	4.02	3.11	29%
Weighting given to A-H valuation gap	50%	50%	0.0%pts
Hence, final A-share target price	3.70	2.90	28%
TP-implied sustainable ROE	6.9%	6.3%	0.6%pts
Current price	3.13		
Share price upside	18.2%		

SOURCES: CGS-CIMB RESEARCH ESTIMATES

Downside risks include a worse-than-expected economic slowdown in China. This could result in higher-than-expected asset quality pressure, as well as greater-than-expected loan prime rate (LPR) cuts, which could also depress net interest margins.

Another key downside risk is a substantial increase in confirmed Covid-19 cases in China, forcing the country into lockdown again. This could substantially reduce income growth.

One final downside risk is that the large banks may face greater-than-expected policy risks in respect to lending in the event of a significant economic slowdown. Such policy-directed lending could result in asset quality problems for these banks further down the road, in our view.

Figure 3: China banks valuation table (H-share and A-share banks)

Company	Ticker	Rating	Mkt cap (US\$ bn)	Price (Lcy)	Target price (Lcy)	Upside/ Downside	P/BV (x)		P/E (x)		P/POP (x)		Dividend yield		ROE(%)	
							FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F	FY21F	FY22F
ICBC	1398 HK	Add	243.4	4.53	5.80	28%	0.47	0.43	4.0	3.7	2.1	1.9	7.7	8.3	12.2	12.0
CCB	0939 HK	Add	169.4	5.69	8.00	41%	0.48	0.44	4.1	3.8	2.1	2.0	7.6	8.2	12.4	12.3
BOC	3988 HK	Add	129.5	2.94	4.00	36%	0.38	0.35	3.6	3.4	1.9	1.8	8.8	9.5	10.9	10.9
ABC	1288 HK	Add	156.0	2.85	4.40	54%	0.41	0.38	3.7	3.4	1.8	1.6	8.6	9.2	11.6	11.5
BOCOM	3328 HK	Hold	49.3	5.13	5.30	3%	0.40	0.38	3.9	3.6	1.9	1.8	8.2	8.9	10.8	10.8
CMB	3968 HK	Add	204.7	61.00	84.20	38%	1.67	1.48	11.1	9.5	6.2	5.6	3.0	3.5	16.4	16.5
CITIC	0998 HK	Add	30.5	3.60	4.80	33%	0.29	0.27	2.8	2.6	1.0	0.9	9.6	10.5	10.8	11.0
MSB	1988 HK	Hold	24.8	2.95	2.90	-2%	0.22	0.21	3.3	3.0	0.9	0.9	9.2	10.0	7.1	7.3
CQRCB	3618 HK	Add	6.1	2.85	4.10	44%	0.27	0.25	2.8	2.4	1.3	1.2	10.9	12.3	10.2	10.6
H-share weighted average							0.65	0.59	5.1	4.6	2.7	2.5	7.2	7.9	12.5	12.4
ICBC - A	601398 CH	Add	243.4	4.65	5.10	10%	0.57	0.52	4.9	4.5	2.6	2.4	6.3	6.8	12.2	12.0
CCB - A	601939 CH	Add	169.4	6.07	7.10	17%	0.61	0.56	5.1	4.8	2.7	2.5	6.0	6.4	12.4	12.3
BOC - A	601988 CH	Add	129.5	3.13	3.70	18%	0.48	0.45	4.6	4.3	2.4	2.3	7.0	7.5	10.9	10.9
ABC - A	601288 CH	Add	156.0	2.97	3.90	31%	0.51	0.47	4.5	4.2	2.2	2.0	6.9	7.4	11.6	11.5
BOCOM - A	601328 CH	Hold	49.3	4.82	4.80	0%	0.45	0.42	4.3	4.0	2.1	2.0	7.4	8.0	10.8	10.8
CMB - A	600036 CH	Add	204.7	46.76	71.60	53%	1.52	1.35	10.1	8.7	5.7	5.1	3.3	3.8	16.4	16.5
CITIC - A	601998 CH	Add	30.5	4.60	4.90	7%	0.44	0.41	4.3	3.9	1.5	1.4	6.3	7.0	10.8	11.0
MSB - A	600016 CH	Reduce	24.8	3.89	2.80	-28%	0.35	0.33	5.1	4.7	1.4	1.4	5.9	6.4	7.1	7.3
PAB - A	000001 CH	Add	54.0	14.72	26.20	78%	0.88	0.79	8.5	6.9	2.4	2.2	1.5	1.9	10.8	12.1
CQRCB - A	601077 CH	Add	6.1	3.95	4.50	14%	0.44	0.41	4.5	4.0	2.1	2.0	6.6	7.4	10.2	10.6
A-share weighted average							0.71	0.65	5.8	5.3	2.9	2.7	5.7	6.2	12.4	12.4
Combined sector weighted average							0.68	0.62	5.5	4.9	2.8	2.6	6.5	7.0	12.4	12.4

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS, BLOOMBERG

(*ICBC: INDUSTRIAL AND COMMERCIAL BANK OF CHINA; CCB: CHINA CONSTRUCTION BANK; BOC: BANK OF CHINA; ABC: AGRICULTURAL BANK OF CHINA; BOCOM: BANK OF COMMUNICATIONS; CMB: CHINA MERCHANTS BANK; CITIC: CHINA CITIC BANK; MSB: CHINA MINSHENG BANK; CQRCB: CHONGQING RURAL COMMERCIAL BANK)

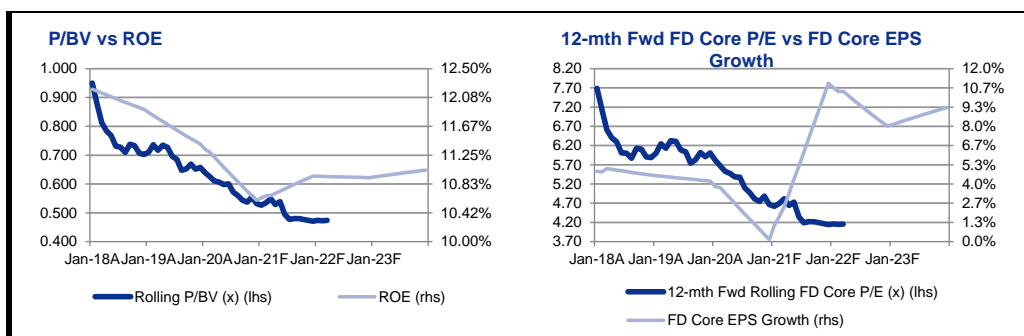
DATA AS OF 7 MAR 2022

Figure 4: Key financial data

Profit & loss								
(Rmb m)	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Net interest income	359,706	374,250	415,918	419,296	438,633	466,559	495,625	526,446
yoy	6.3%	4.0%	11.1%	0.8%	4.6%	6.4%	6.2%	6.2%
Non interest income	144,100	175,760	151,729	174,273	186,524	200,504	216,470	233,748
yoy	-0.9%	22.0%	-13.7%	14.9%	7.0%	7.5%	8.0%	8.0%
Total revenue	503,806	550,010	567,647	593,569	625,157	667,063	712,095	760,194
yoy	4.1%	9.2%	3.2%	4.6%	5.3%	6.7%	6.8%	6.8%
Operating expenses	-176,979	-198,269	-202,411	-215,887	-223,283	-233,962	-245,261	-257,114
Pre-prov profit	326,827	351,741	365,236	377,682	401,874	433,100	466,834	503,080
yoy	5.5%	7.6%	3.8%	3.4%	6.4%	7.8%	7.8%	7.8%
Provisioning expenses	-99,294	-102,153	-119,016	-105,632	-108,950	-114,012	-111,494	-99,933
Net profit to common shareholders	173,295	180,579	180,841	200,722	216,807	236,969	264,905	301,744
yoy	4.6%	4.2%	0.1%	11.0%	8.0%	9.3%	11.8%	13.9%
Key balance sheet items								
(Rmb m)	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
Loans	11,787,683	13,034,189	14,183,385	15,418,328	16,853,307	18,388,133	20,025,958	21,769,612
Interbank assets	1,482,289	1,464,426	1,742,465	1,829,588	1,921,068	2,017,121	2,117,977	2,223,876
Investments	5,054,551	5,514,062	5,591,117	5,845,445	6,112,490	6,392,887	6,687,304	6,996,442
Deposits	14,883,596	15,817,548	16,879,171	17,620,946	18,936,300	20,431,258	22,006,547	23,662,622
Interbank liabilities	1,731,209	1,668,046	1,917,003	2,257,098	2,416,448	2,531,820	2,661,959	2,807,954
Common shareholders' equity	1,513,266	1,651,808	1,760,929	1,906,322	2,062,641	2,232,657	2,421,649	2,635,667
Total shareholders' equity	1,725,397	1,976,696	2,162,837	2,321,526	2,492,162	2,677,773	2,884,131	3,117,849
RWA	12,841,526	14,123,915	15,109,085	16,277,576	17,334,234	18,566,197	19,885,718	21,299,019
Total assets	21,267,275	22,769,744	24,402,659	26,254,155	28,185,746	30,188,939	32,334,501	34,632,551
yoy								
Loans	8.2%	10.6%	8.8%	8.7%	9.3%	9.1%	8.9%	8.7%
Interbank assets	30.5%	-1.2%	19.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Investments	11.0%	9.1%	1.4%	4.5%	4.6%	4.6%	4.6%	4.6%
Deposits	9.0%	6.3%	6.7%	4.4%	7.5%	7.9%	7.7%	7.5%
Interbank liabilities	21.5%	-3.6%	14.9%	17.7%	7.1%	4.8%	5.1%	5.5%
Common shareholders' equity	8.4%	9.2%	6.6%	8.3%	8.2%	8.2%	8.5%	8.8%
Total shareholders' equity	9.4%	14.6%	9.4%	7.3%	7.4%	7.4%	7.7%	8.1%
RWA	5.6%	10.0%	7.0%	7.7%	6.5%	7.1%	7.1%	7.1%
Total assets	9.2%	7.1%	7.2%	7.6%	7.4%	7.1%	7.1%	7.1%
Key ratios & drivers								
	2018	2019	2020	2021F	2022F	2023F	2024F	2025F
EPS (Rmb)	0.59	0.61	0.61	0.68	0.74	0.80	0.90	1.02
EPS Growth	4.6%	4.2%	0.1%	11.0%	8.0%	9.3%	11.8%	13.9%
BVPS (Rmb)	5.14	5.61	5.98	6.48	7.01	7.58	8.23	8.95
BVPS Growth	8.4%	9.2%	6.6%	8.3%	8.2%	8.2%	8.5%	8.8%
ROAE	11.9%	11.4%	10.6%	10.9%	10.9%	11.0%	11.4%	11.9%
ROAA	0.88%	0.85%	0.82%	0.83%	0.83%	0.84%	0.88%	0.93%
DPS (Rmb)	0.18	0.19	0.20	0.22	0.24	0.26	0.29	0.33
Payout ratio	31%	31%	32%	32%	32%	32%	32%	32%
Core tier 1 ratio	11.4%	11.3%	11.3%	11.5%	11.7%	11.8%	12.0%	12.2%
Tier 1 ratio	12.3%	12.8%	13.2%	13.2%	13.3%	13.3%	13.4%	13.5%
Total CAR	15.0%	15.6%	16.2%	16.4%	16.4%	16.4%	16.4%	16.4%
Equity/Assets	8.3%	8.9%	9.2%	9.1%	9.1%	9.1%	9.2%	9.2%
Loan-deposit ratio	79%	82%	84%	88%	89%	90%	91%	92%
NPL ratio	1.42%	1.37%	1.46%	1.27%	1.23%	1.19%	1.17%	1.15%
NPL coverage	181.8%	182.5%	177.6%	195.4%	200.1%	203.3%	202.3%	194.4%
LLR to loan	2.57%	2.50%	2.60%	2.49%	2.45%	2.43%	2.37%	2.24%
Cost-income ratio	35%	36%	36%	36%	36%	35%	34%	34%
Net interest margin	1.90%	1.84%	1.85%	1.74%	1.69%	1.67%	1.66%	1.64%
Non interest income/ total income	29%	32%	27%	29%	30%	30%	30%	31%
Credit cost	0.88%	0.82%	0.87%	0.71%	0.68%	0.65%	0.58%	0.48%

SOURCES: CGS-CIMB RESEARCH ESTIMATES

BY THE NUMBERS



Profit & Loss

(Rmbm)	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Net Interest Income	415,918	419,296	438,633	466,559	495,625
Total Non-Interest Income	151,729	174,273	186,524	200,504	216,470
Operating Revenue	567,647	593,569	625,157	667,063	712,095
Total Non-Interest Expenses	(202,411)	(215,887)	(223,283)	(233,962)	(245,261)
Pre-provision Operating Profit	365,236	377,682	401,874	433,100	466,834
Total Provision Charges	(119,016)	(105,632)	(108,950)	(114,012)	(111,494)
Operating Profit After Provisions	246,220	272,050	292,924	319,088	355,340
Pretax Income/(Loss) from Assoc.	158	158	158	158	158
Operating EBIT (incl Associates)	246,378	272,208	293,082	319,246	355,498
Non-Operating Income/(Expense)	0	0	0	0	0
Profit Before Tax (pre-EI)	246,378	272,208	293,082	319,246	355,498
Exceptional Items	0	0	0	0	0
Pre-tax Profit	246,378	272,208	293,082	319,246	355,498
Taxation	(41,282)	(49,149)	(52,918)	(57,642)	(64,187)
Consolidation Adjustments & Others					
Exceptional Income - post-tax					
Profit After Tax	205,096	223,060	240,164	261,605	291,311
Minority Interests	(12,226)	(13,297)	(14,316)	(15,595)	(17,365)
Pref. & Special Div	(12,029)	(9,041)	(9,041)	(9,041)	(9,041)
FX And Other Adj.	0	0	0	0	0
Net Profit	180,841	200,722	216,807	236,969	264,905
Recurring Net Profit	180,841	200,722	216,807	236,969	264,905

Balance Sheet Employment

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Gross Loans/Cust Deposits	84.0%	87.5%	89.0%	90.0%	91.0%
Avg Loans/Avg Deposits	83.2%	85.8%	88.3%	89.5%	90.5%
Avg Liquid Assets/Avg Assets	39.2%	38.4%	37.8%	36.9%	36.0%
Avg Liquid Assets/Avg IEAs	41.1%	40.4%	39.7%	38.7%	37.7%
Net Cust Loans/Assets	56.7%	57.3%	58.3%	59.4%	60.5%
Net Cust Loans/Broad Deposits	68.7%	70.2%	71.5%	72.7%	73.9%
Equity & Provs/Gross Cust Loans	17.0%	16.7%	16.3%	16.1%	15.8%
Asset Risk Weighting	62.0%	62.0%	61.5%	61.5%	61.5%
Provision Charge/Avg Cust Loans	0.87%	0.71%	0.68%	0.65%	0.58%
Provision Charge/Avg Assets	0.51%	0.42%	0.40%	0.39%	0.36%
Total Write Offs/Average Assets	0.324%	0.356%	0.292%	0.278%	0.267%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

(Rmbm)	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Total Gross Loans	15,122,705	16,404,614	17,888,907	19,475,513	21,167,707
Liquid Assets & Invst. (Current)	5,591,117	5,845,445	6,112,490	6,392,887	6,687,304
Other Int. Earning Assets	2,076,840	2,372,388	2,510,477	2,604,382	2,712,260
Total Gross Int. Earning Assets	22,790,662	24,622,447	26,511,874	28,472,782	30,567,272
Total Provisions/Loan Loss Reserve	(368,173)	(383,634)	(413,148)	(446,124)	(474,075)
Total Net Interest Earning Assets	22,422,489	24,238,813	26,098,727	28,026,659	30,093,197
Intangible Assets	18,139	18,139	18,139	18,139	18,139
Other Non-Interest Earning Assets	1,125,794	1,153,901	1,183,413	1,214,401	1,246,938
Total Non-Interest Earning Assets	1,143,933	1,172,040	1,201,552	1,232,540	1,265,077
Cash And Marketable Securities	803,145	843,302	885,467	929,741	976,228
Long-term Investments	0	0	0	0	0
Total Assets	24,369,567	26,254,155	28,185,746	30,188,939	32,334,501
Customer Interest-Bearing Liabilities	17,291,120	18,105,979	19,455,576	20,975,327	22,578,581
Bank Deposits	2,804,814	3,302,415	3,535,564	3,704,368	3,894,777
Interest Bearing Liabilities: Others	1,270,437	1,495,825	1,601,429	1,677,889	1,764,134
Total Interest-Bearing Liabilities	21,366,371	22,904,219	24,592,569	26,357,584	28,237,493
Bank's Liabilities Under Acceptances					
Total Non-Interest Bearing Liabilities	873,451	1,028,410	1,101,015	1,153,582	1,212,878
Total Liabilities	22,239,822	23,932,628	25,693,584	27,511,166	29,450,370
Shareholders' Equity	2,038,419	2,183,812	2,340,131	2,510,147	2,699,139
Minority Interests	124,418	137,715	152,031	167,626	184,991
Total Equity	2,162,837	2,321,526	2,492,162	2,677,773	2,884,131

Key Ratios

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Total Income Growth	3.21%	4.57%	5.32%	6.70%	6.75%
Operating Profit Growth	3.84%	3.41%	6.41%	7.77%	7.79%
Pretax Profit Growth	(1.7%)	10.5%	7.7%	8.9%	11.4%
Net Interest To Total Income	73.3%	70.6%	70.2%	69.9%	69.6%
Cost Of Funds	1.66%	1.87%	1.93%	1.96%	1.98%
Return On Interest Earning Assets	3.38%	3.46%	3.46%	3.46%	3.46%
Net Interest Spread	1.72%	1.59%	1.53%	1.50%	1.48%
Net Interest Margin (Avg Deposits)	2.54%	2.43%	2.40%	2.37%	2.34%
Net Interest Margin (Avg RWA)	2.85%	2.67%	2.61%	2.60%	2.58%
Provisions to Pre Prov. Operating Profit	32.6%	28.0%	27.1%	26.3%	23.9%
Interest Return On Average Assets	1.77%	1.66%	1.61%	1.60%	1.59%
Effective Tax Rate	16.8%	18.1%	18.1%	18.1%	18.1%
Net Dividend Payout Ratio	32.1%	32.1%	32.1%	32.1%	32.1%
Return On Average Assets	0.77%	0.79%	0.80%	0.81%	0.85%

Key Drivers

	Dec-20A	Dec-21F	Dec-22F	Dec-23F	Dec-24F
Loan Growth (%)	8.8%	8.7%	9.3%	9.1%	8.9%
Net Interest Margin (%)	1.9%	1.7%	1.7%	1.7%	1.7%
Non Interest Income Growth (%)	-13.7%	14.9%	7.0%	7.5%	8.0%
Cost-income Ratio (%)	35.7%	36.4%	35.7%	35.1%	34.4%
Provision charge as % avg loans	0.9%	0.7%	0.7%	0.6%	0.6%
Effective tax rate (%)	16.8%	18.1%	18.1%	18.1%	18.1%
Net NPL Ratio (%)	1.5%	1.3%	1.2%	1.2%	1.2%
Provisioning coverage ratio (%)	177.6%	195.4%	200.1%	203.3%	202.3%
Loan Loss Reserve (%)	2.6%	2.5%	2.5%	2.4%	2.4%
Deposit Growth (%)	6.7%	4.4%	7.5%	7.9%	7.7%
Loan-deposit Ratio (%)	84.0%	87.5%	89.0%	90.0%	91.0%
Core Tier 1 ratio (%)	11.3%	11.5%	11.7%	11.8%	12.0%
Risk weighted assets to total assets ratio (%)	61.9%	62.0%	61.5%	61.5%	61.5%
Dividend payout ratio (%)	32.1%	32.1%	32.1%	32.1%	32.1%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Score Range:	90 - 100	80 – 89	70 - 79	Below 70	No Survey Result
Description:	Excellent	Very Good	Good	N/A	N/A

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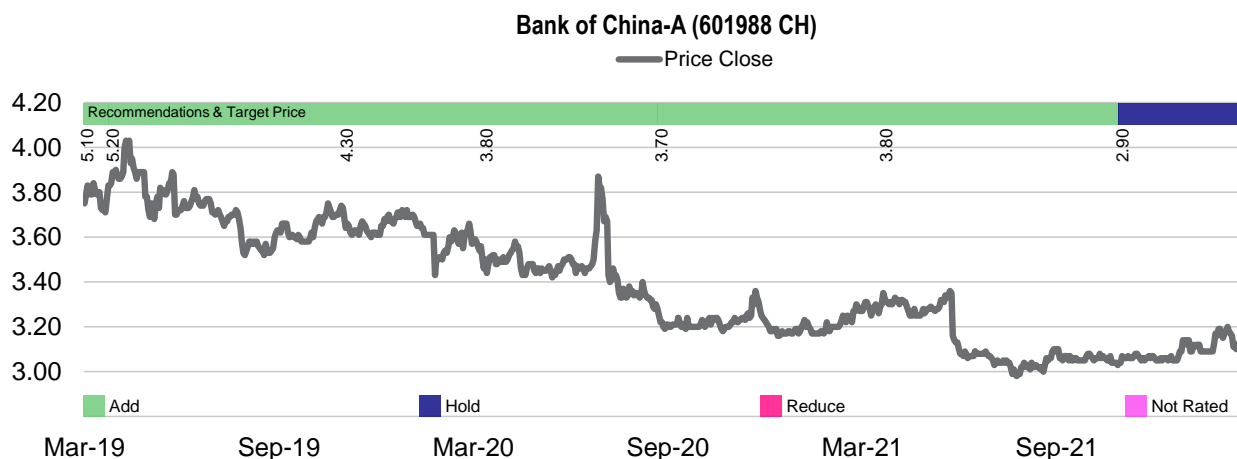
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2021		
619 companies under coverage for quarter ended on 31 December 2021		
	Rating Distribution (%)	Investment Banking clients (%)
Add	71.1%	1.5%
Hold	21.8%	0.0%
Reduce	7.1%	0.0%

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2021, Anti-Corruption 2021

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AWC** – Excellent, Declared, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Excellent, Certified, **BCH** – Very Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BEM** – Excellent, n/a **BH** - Good, n/a, **BJC** – Very Good, n/a, **BLA** – Very Good, Certified, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Excellent, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Excellent, Declared, **DELTA** - Excellent, Certified, **DDD** – Excellent, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, Declared, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** - Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Excellent, n/a, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, Declared, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – n/a, Certified, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KEX** – Very Good, Declared, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – Very Good, Declared, **OR** – Excellent, n/a, **ORI** – Excellent, Certified, **OSP** – Excellent, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, Declared, **PSH** – Excellent, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, n/a, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RAM** – n/a, n/a, **RBF** – Very Good, n/a, **RS** – Excellent, Declared, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – Very Good, Declared, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – Excellent, Declared, **SECURE** – n/a, n/a, **SHR** – Excellent, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** - Excellent, Certified, **SPRC** – Excellent, Certified, **SSP** - Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, Certified **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TOP** - Excellent, Certified, **TRUE** – Excellent, Certified, **TTB** - Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

- CG Score 2021 from Thai Institute of Directors Association (IOD)

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Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

